

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-4-G

July 1, 2014

IN RE: Annual Review of Purchased Gas Adjustment)
 and Gas Purchasing Policies of Piedmont) **SETTLEMENT AGREEMENT**
 Natural Gas Company, Incorporated)

This Settlement Agreement is made by and between the South Carolina Office of Regulatory Staff (“ORS”) and Piedmont Natural Gas Company, Inc. (“PNG”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

WHEREAS, by the Public Service Commission of South Carolina (“Commission”) Order No. 88-294, dated April 6, 1988, the Commission instituted an annual review of PNG’s Purchased Gas Adjustment and Gas Purchasing Policies. Additionally, in Order No. 2002-223, dated March 26, 2002, in Docket No. 2001-410-G, the Commission required PNG to file regular reports on the status of the hedging program and the results of its hedging activities. In the above-captioned proceeding the review period is April 1, 2013 through March 31, 2014 (“Review Period”);

WHEREAS, the Parties to this Settlement Agreement are the only parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of this proceeding would be in their best interest and in the public interest;

WHEREAS, following those discussions the Parties have each determined that their interests and the public interest would be best served by settling the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony of PNG witness Sarah E. Stabley, the direct testimony and exhibits of PNG witnesses Keith P. Maust and Robert L. Thornton, and the Supplemental Testimony and Settlement Testimony of Robert L. Thornton without objection, change, amendment, or cross-examination by the Parties unless such is mutually agreed upon. PNG will present its witnesses at the hearing and Robert L. Thornton will testify in support of this Settlement Agreement.

2. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony and exhibits of ORS witness Matthew P. Schellinger II and the pre-filed direct testimony of ORS witness Thomas H. Allen, without objection, change, amendment, or cross-examination by the Parties unless such is mutually agreed upon. ORS will present its witnesses at the hearing.

3. The Parties further agree that with the stipulated testimony of record and the agreement of the Parties regarding the review period activity and end-of-period account balances, the hearing record before the Commission will demonstrate that: (i) PNG's gas purchasing policies and practices during the Review Period were reasonable and prudent; (ii) PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period, with the exception of certain curtailment billing as discussed in the Supplemental Testimony of PNG witness Thornton; (iii) PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders; (iv) the end-of-period balances for PNG's hedging accounts are those

reflected in the testimony of PNG witness Thornton; and, (v) the end-of-period balances for PNG's deferred gas costs accounts are those reflected in the pre-filed direct testimony of PNG witness Thornton with the exception of any adjustment(s) related to the curtailment billing matter discussed in witness Thornton's supplemental testimony.

4. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

5. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions in future proceedings. If the Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without penalty.

6. This agreement shall be interpreted according to South Carolina law.

7. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

Representing the South Carolina Office of Regulatory Staff



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Representing Piedmont Natural Gas Company, Inc.

A handwritten signature in dark ink, appearing to read "James H. Jeffries, IV", is written over a horizontal line.

James H. Jeffries, IV, Esquire

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OF SOUTH CAROLINA
DOCKET NO. 2014-4-G

IN RE: Annual Review of Purchased Gas Adjustment)
and Gas Purchasing Policies of Piedmont)
Natural Gas Company, Incorporated) **CERTIFICATE OF SERVICE**

This is to certify that I, Karen D. Elliott, have this date served one (1) copy of the **SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Brian S. Heslin, Esquire
James H. Jeffries, IV, Esquire
Moore & Van Allen, PLLC
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Charlotte, NC, 28202

Thomas E. Skains, Chairman, President, and CEO
David Carpenter, Vice President-Planning & Regulatory Affairs
Piedmont Natural Gas Company, Incorporated
Post Office Box 33068
Charlotte, NC, 28233


Karen D. Elliott

July 1, 2014
Columbia, South Carolina